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RISECOMM

瑞斯康

RISECOMM GROUP HOLDINGS LIMITED

瑞斯康集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1679)

**ANNOUNCEMENT OF THE INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB41.4 million for the Period (corresponding period in 2023: approximately RMB35.1 million), representing an increase of approximately 18.1%.
- Revenue from AMR and other business segment increased by approximately 130.4% to approximately RMB18.3 million for the Period as compared with the corresponding period in 2023.
- Revenue from SMIA business segment decreased by approximately 46.9% to approximately RMB14.4 million for the Period as compared with the corresponding period in 2023.
- Revenue from WFOM business segment amounted to approximately RMB8.8 million for the Period.
- Gross profit increased by approximately 86.6% to approximately RMB15.3 million for the Period as compared with the corresponding period in 2023. Gross profit margin increased from approximately 23.4% for the corresponding period in 2023 to 37.0% for the Period.
- Net loss for the Period attributable to owners of the Company amounted to approximately RMB24.7 million (corresponding period in 2023: net loss attributable to owners of the Company of approximately RMB32.9 million).
- Basic loss per share for the Period amounted to approximately RMB9.66 cents (corresponding period in 2023: basic loss per share of approximately RMB17.37 cents).
- The Board did not recommend the payment of an interim dividend for the Period (corresponding period in 2023: Nil).

The board (the “**Board**”) of directors (the “**Directors**”) of Risecomm Group Holdings Limited (the “**Company**”) announces herewith the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”), together with the relevant unaudited financial data for the corresponding period in 2023 or other dates/periods as set out in this announcement for comparative purposes.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	41,443	35,106
Cost of sales		<u>(26,111)</u>	<u>(26,889)</u>
Gross profit		15,332	8,217
Other income, gains/(losses)	7	1,492	3,038
(Allowance)/reversal for impairment losses on financial assets, net		(639)	1,510
Selling and marketing expenses		(10,636)	(4,789)
General and administrative expenses		(16,048)	(23,996)
Research and development expenses		<u>(9,244)</u>	<u>(9,480)</u>
Loss from operations		(19,743)	(25,500)
Finance costs	8	<u>(4,452)</u>	<u>(9,616)</u>
Loss before tax		(24,195)	(35,116)
Income tax (expense)/credit	10	<u>(505)</u>	<u>2,184</u>
Loss for the period	9	<u>(24,700)</u>	<u>(32,932)</u>

		Unaudited	
		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
Loss for the period		(24,700)	(32,932)
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(469)</u>	<u>(4,023)</u>
Other comprehensive loss for the period, net of tax		<u>(469)</u>	<u>(4,023)</u>
Total comprehensive loss for the period		<u><u>(25,169)</u></u>	<u><u>(36,955)</u></u>
Loss for the period attributable to:			
Owners of the Company		(24,700)	(32,928)
Non-controlling interests		<u>–</u>	<u>(4)</u>
		<u>(24,700)</u>	<u>(32,932)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(25,169)	(36,951)
Non-controlling interests		<u>–</u>	<u>(4)</u>
		<u><u>(25,169)</u></u>	<u><u>(36,955)</u></u>
Loss per share attributable to owners of the Company			
Basic and diluted (<i>RMB cents</i>)	12	<u><u>(9.66)</u></u>	<u><u>(17.37)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	<i>Notes</i>	Unaudited 30 June 2024 RMB'000	Audited 31 December 2023 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		16,443	16,917
Right-of-use assets		5,883	8,458
Deposit paid for acquisition		–	60,000
Intangible assets		117,466	11,754
Deferred tax assets		680	846
		140,472	97,975
Current assets			
Inventories		27,295	22,290
Trade and other receivables	13	94,321	91,686
Restricted bank deposits		–	2,618
Bank and cash balances		32,509	35,919
		154,125	152,513
TOTAL ASSETS		294,597	250,488
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		222	222
Reserves		(54,279)	(29,110)
		(54,057)	(28,888)
Non-controlling interests		(5,645)	(5,645)
		(59,702)	(34,533)
Total deficit		(59,702)	(34,533)

		Unaudited	Audited
		30 June	31 December
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Deferred income		671	751
Lease liabilities		2,493	4,237
Deferred tax liabilities		772	929
Contingent consideration payable		502	–
Borrowings		165,432	108,705
		<hr/>	<hr/>
Total non-current liabilities		169,870	114,622
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>14</i>	74,947	74,530
Contract liabilities		12,617	12,184
Borrowings		89,809	76,587
Lease liabilities		3,497	4,455
Income tax payables		3,559	2,643
		<hr/>	<hr/>
Total current liabilities		184,429	170,399
		<hr/>	<hr/>
TOTAL EQUITY AND LIABILITIES		294,597	250,488
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1 GENERAL INFORMATION

Risecomm Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 19 August 2015 as an exempted company with limited liabilities under Companies Law, (Cap 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 9 June 2017.

2 BASIS OF PREPARATION

The condensed consolidated financial statements of the Company and its subsidiaries (collectively, the Group) for the six months ended 30 June 2024 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Group incurred a net loss of approximately RMB24,700,000 during the six months ended 30 June 2024 and, as of that date, the Group had net liabilities of approximately RMB59,702,000. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Notwithstanding the above, the consolidated financial statements have been prepared on a going concern basis as the directors of the Company (the “**Director (s)**”) have taken the following measures:

- (a) The Group implemented operational plans to control costs and generate sufficient operating cash flows to meet its current and future obligations. These actions include cost control measures, and timely collection of outstanding receivables.
- (b) The Group completed the acquisition of Zhongyi (BVI) International Limited (“**Zhongyi (BVI)**”) on 27 March 2024 for new business segment to provide wind farm management and operational service in the PRC. After reviewing the operating cash flow projections of Zhongyi (BVI), the Directors consider that it can generate positive cash flow that can support the Group’s operations in the next twelve months.
- (c) The Group plans to raise new funding by means of equity financing.

Having taken into account the above-mentioned plans and measures, the Directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next twelve months from the date of the consolidated statement of financial position. Accordingly, the condensed financial statements have been prepared on a going concern basis.

However, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above.

Should the Group fail to achieve the above-mentioned plans and measures, it may be unable to continue as a going concern, and adjustments would have to be made to write down the carrying value of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in this condensed financial statements.

3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to Hong Kong Financial Reporting Standards

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5(2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Impact on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the “2020 Amendments”); and Amendments to HKAS 1 — Non-current Liabilities with Covenants (the “2022 Amendments”)

The 2020 Amendments clarify the requirements on determining if a liability is current or non-current, in particular the determination over whether an entity has the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments specify that an entity's right to defer settlement must exist at the end of the reporting period. Classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement. The amendments also clarify the classification of liabilities that will or may be settled by issuing an entity's own equity instruments.

The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current.

The adoption of the amendments has no impact to the Group's classification of liabilities as at 1 January 2023, 31 December 2023 and 30 June 2024.

4 ACQUISITION OF SUBSIDIARIES

During the period ended 30 June 2024, the Group acquired 100% of the issued share capital of Zhongyi (BVI) at a total consideration of RMB110,000,000. The identifiable assets of Zhongyi (BVI) and its subsidiaries are mainly wind farm operation and maintenance contracts. The Group elected to apply the optional concentration test in accordance with HKFRS 3 Business Combinations. The acquisition has been accounted for as an acquisition of assets rather than a business combination, given that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets (wind farm operation and maintenance contracts).

	<i>RMB'000</i> (unaudited)
Intangible assets	105,942
Trade and other receivables	7,483
Cash and cash equivalents	4,497
Trade and other payables	(5,810)
Contract liabilities	(743)
Income tax payable	(867)
	<hr/>
Net assets	110,502
	<hr/> <hr/>
Satisfied by:	
Cash consideration	110,000
Contingent consideration	
— Fair value of profit guarantee	502
	<hr/>
	110,502
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration paid	110,000
Less: deposit paid during the year ended 31 December 2023	(60,000)
Less: cash and cash equivalent balances acquired	(4,497)
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	45,503
	<hr/> <hr/>

5 SEGMENT INFORMATION

The Group manages its businesses by business lines. Segmental information has been presented in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resources allocation and performance assessment.

The Group has three reportable segments, which are (a) non-automated meter reading (“**AMR**”) and other business; (b) smart manufacturing & industrial automation (“**SMIA**”) business; and (c) wind farm operation and maintenance (“**WFOM**”) business.

The Group's reportable segments are as follows:

- **AMR and other business:** this segment includes design, development and sales of power-line communication products, energy saving and environmental protection products and solutions used in streetlight control, building energy management, photovoltaic power management, etc. and providing maintenance services in connection with the deployment and upgrading of AMR systems by power grid companies in the People's Republic of China (the “**PRC**”).
- **SMIA business:** this segment includes sales of software license, production safety products, construction contracts as well as the provision of software post-contract customer support services in connection with the smart manufacturing and industrial automation system applied in the petroleum and petrochemicals industry.
- **WFOM business:** this segment includes the provision of wind farm operation and maintenance services in the PRC.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include unallocated general and administrative expenses, other income, gains/(losses), (allowance)/reversal for impairment losses on financial assets, net and income tax (expenses)/credit.

No segment assets or liabilities information or other segment information is provided as the Group's most senior executive management does not review this information for the purpose of resource allocation and assessment of segment performance.

(a) **Information about operating segment profit or loss**

The segment information provided to the Group's most senior executive management for the reportable segments for the six months ended 30 June 2024 and 2023 is as follows:

Six months ended 30 June 2024	AMR and other business RMB'000 (unaudited)	SMIA business RMB'000 (unaudited)	WFOM business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue	18,265	14,419	8,759	41,443
Cost of Sales	(11,442)	(12,237)	(2,432)	(26,111)
Selling and marketing expenses	(6,519)	(4,117)	–	(10,636)
Research and development expenses	(8,804)	(440)	–	(9,244)
Reportable segment results	<u>(8,500)</u>	<u>(2,375)</u>	<u>6,327</u>	<u>(4,548)</u>
Six months ended 30 June 2023	AMR and other business RMB'000 (unaudited)	SMIA business RMB'000 (unaudited)	WFOM business RMB'000 (unaudited)	Total RMB'000 (unaudited)
Revenue	7,929	27,177	–	35,106
Cost of Sales	(5,865)	(21,024)	–	(26,889)
Selling and marketing expenses	(2,761)	(2,028)	–	(4,789)
Research and development expenses	(8,748)	(732)	–	(9,480)
Reportable segment results	<u>(9,445)</u>	<u>3,393</u>	<u>–</u>	<u>(6,052)</u>

(b) **Reconciliations of segment revenue and profit or loss**

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Reportable segment results	(4,548)	(6,052)
Other income, gains/(losses)	1,492	3,038
General and administrative expenses	(16,048)	(23,996)
Finance costs	(4,452)	(9,616)
(Allowance)/reversal for impairment losses on financial assets, net	<u>(639)</u>	<u>1,510</u>
Loss before tax	<u>(24,195)</u>	<u>(35,116)</u>

No geographical segment information is presented as all the sales and operating (losses)/profits of the Group are derived within the PRC and all the operating assets of the Group are located in the PRC, which is considered as one geographic location with similar risks and returns.

6 REVENUE

The Group is principally engaged in the design, development and sales of power line communication (“PLC”) products as well as the provision of relevant maintenance services in connection with the deployment and upgrades of the AMR systems by power grid companies in the PRC and for a wide range of applications related to energy saving and environmental protection.

The Group is engaged in the sales of software license, production safety products, construction contracts, as well as the provision of software post-contract customer support services in connection with the SMIA applied in the area of maintenance and safety integrity system in the petroleum and petrochemicals industry.

The Group is also engaged in provision of wind farm operation and maintenance services in the PRC.

(a) Disaggregation of revenue

An analysis of the Group’s revenue for the period is as follows:

	Six months ended 30 June	
	2024	2023
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15 and recognised at a point in time		
Disaggregated by major products or service lines		
AMR and other business		
— PLC Integrated circuits (“ICs”)	517	2,028
— PLC Modules	13,756	2,288
— Other products	3,688	2,266
— AMR maintenance services	304	1,347
Sub-total of AMR and other business	<u>18,265</u>	<u>7,929</u>
SMIA business		
— Software license	14,324	17,147
— Production safety products	95	3,976
Sub-total of SMIA business	<u>14,419</u>	<u>21,123</u>
Revenue from contracts with customers within the scope of HKFRS 15 and recognised over time		
Disaggregated by major products or service lines		
SMIA business		
— Post-contract customer support service	–	1,726
— Construction contracts	–	4,328
Sub-total of SMIA business	<u>–</u>	<u>6,054</u>
WFOM business		
— Wind farm operation and maintenance services	8,759	–
Sub-total of WFOM business	<u>8,759</u>	<u>–</u>
Total	<u>41,443</u>	<u>35,106</u>

7 OTHER INCOME, GAINS/(LOSSES)

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income from bank deposits	213	271
Government grant		
— Unconditional subsidies	1,848	1,298
— Conditional subsidies	80	109
Net foreign exchange (loss)/gain	(1,067)	967
Others	418	393
	<u>1,492</u>	<u>3,038</u>

8 FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest expenses on bank and other borrowings	4,242	9,452
Interest expenses on lease liabilities	210	164
	<u>4,452</u>	<u>9,616</u>

9 LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging/(crediting):

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	3,056	6,170
Cost of inventories sold	11,241	9,448
Cost of AMR maintenance services	315	1,165
Cost of software license sold	10,756	13,658
Cost of post-contract customers support	—	1,206
Cost of construction contract	658	625
Cost of wind farm operation and maintenance services	2,432	—
Depreciation of property, plant and equipment	1,214	1,218
Depreciation of right-of-use asset	2,573	1,910
Allowance/(reversal) for impairment losses of financial assets, net	639	(1,510)
Allowance for impairment loss of inventories, net	709	787
	<u>709</u>	<u>787</u>

10 INCOME TAX EXPENSE/(CREDIT)

Income tax has been recognised in profit or loss as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
Provision for the period	496	53
Over-provision in prior years	—	(709)
	<u>496</u>	<u>(656)</u>
Deferred tax	9	(1,528)
	<u>505</u>	<u>(2,184)</u>

11 DIVIDENDS

The board of directors does not recommend the payment of any dividend in respect of the six months ended 30 June 2024 and 2023.

12 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss		
Loss for the period for the purpose of calculating basis and diluted loss per share	<u>(24,700)</u>	<u>(32,928)</u>
	2024	2023
	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>255,729</u>	<u>189,554</u>

The effect of all potential ordinary shares are anti-dilutive for the six months ended 30 June 2024 and 2023 due to loss making for the six months ended 30 June 2024 and 2023.

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price for shares for the six months ended 30 June 2024 and 2023.

13 TRADE AND OTHER RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	117,155	114,969
Bills receivables	2,121	–
Allowance for impairment losses of trade receivables	(59,030)	(58,391)
	60,246	56,578
Prepayments	21,533	20,897
Other receivables	16,512	18,181
Loan receivables (<i>note (a)</i>)	11,350	11,350
Allowance for impairment losses of loan and other receivables	(15,320)	(15,320)
	34,075	35,108
Total trade and other receivables	94,321	91,686

Note:

- (a) The loan receivables are arranged at fixed interest rates of 0% to 5% per annum, which are recoverable in one year. The Group considers that those receivables remain appropriate to measure them at amortised cost.

The Group generally allows an average credit period of 180 days (31 December 2023: 180 days) for its customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the Directors.

The aging analysis of trade and bills receivables, net of allowance for impairment of trade and bills receivables, presented based on the invoice dates is as follows:

	30 June 2024	31 December 2023
	RMB'000	RMB'000
	(unaudited)	(audited)
Within 6 months	39,137	21,102
After 6 months but within 1 year	6,442	23,416
Over 1 year	14,667	12,060
	60,246	56,578

The carrying amounts of the Group's trade receivables are mainly denominated in RMB.

14 TRADE AND OTHER PAYABLES

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Trade payables	56,951	56,765
Product warranty provision	741	747
Other payables and accruals	17,255	17,018
	<u>74,947</u>	<u>74,530</u>

Trade payables comprised amounts due to suppliers for purchase of goods or services used in regular course of business. Trade payables are non-interest bearing and the average credit period on purchases is 30 to 180 days. The aging analysis of trade payables based on the invoice dates is as follows:

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Within 3 months	11,296	17,113
After 3 months but within 6 months	1,024	8,396
After 6 months but within 1 year	4,591	300
Over 1 year but within 2 years	11,560	17,378
Over 2 years	28,480	13,578
	<u>56,951</u>	<u>56,765</u>

The carrying amounts of the Group's trade payables are mainly denominated in RMB.

15 RELATED PARTY TRANSACTIONS

- (a) In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2024	2023
	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest expenses paid to Ms. Guo Lei (<i>note</i>)	605	–
Interest expenses paid to Mr. Ding Zhigang (<i>note</i>)	43	–
	<u>648</u>	<u>–</u>

Note: Ms. Guo Lei and Mr. Ding Zhigang are the non-executive directors of the Company.

(b) The following balances were outstanding at the end of the period/year:

	30 June 2024 RMB'000 (unaudited)	31 December 2023 RMB'000 (audited)
Borrowings		
Ms. Guo Lei	63,492	29,301
Mr. Ding Zhigang	952	906
Zhongjia Xinda Investment Co. Limited* (中嘉信達投資有限公司) (“Zhongjia Xinda”) (note)	<u>3,000</u>	<u>–</u>
	<u>67,444</u>	<u>30,207</u>

Note: Mr. Ding Zhigang, being a non-executive director of the Company, holds 84% of equity interest in Zhongjia Xinda. Mr. Ding Zhigang is also a director of Zhongjia Xinda.

* The official name of the company is in Chinese. The English translation of the company name is for reference only.

(c) **Key management compensation:**

The remuneration of Directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2024 RMB'000 (unaudited)	2023 RMB'000 (unaudited)
Short-term employee benefits	4,595	4,168
Post-employee benefits	<u>154</u>	<u>182</u>
	<u>4,749</u>	<u>4,350</u>

16 EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2024 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

With the intelligentization, informatization and digitization of power grid, there has been a vast development and application of the broadband power line communication (“**PLC**”) technology. Since 2018, the State Grid Corporation of China (“**State Grid**”) has begun to build a large-scale residential electricity consumption information collection system based on high-speed power line communication (“**HPLC**”).

China has been vigorously promoting the construction of an advanced power system based on new energy. Relevant policies have been extensively introduced, with an aim of achieving the strategic goals of emission reduction, improvement of power efficiency and marketization, green development of the power industry, deepening the reform of the power industry and building a sustainable modern power system. Intelligentization of the power grid will be the future work goal.

Broadband PLC technology has been widely used within the scope of State Grid in fields including electricity distribution automation, smart grids, domestic networks and multimedia communications. In these fields, PLC technology is applied in data transmission, remote control and inspection and management, which place higher requirements on communication speed, real-time communication, data carrying capacity and communication distance. As the scope of application widens, the demand for smart grid multi-scenario application integration has also increased, putting forward higher requirements for broadband HPLC technology. State Grid has launched a dual-mode technology converging the PLC and high-speed radio frequency technology (HPLC+HRF), in order to meet the performance requirements of the new advanced power system. The HPLC+HRF dual-mode communication technology complements the carrier channel technology and wireless channel technology and enables automatic dual-channel convergence networking. Currently, State Grid has completed the standard formulation, on-site testing, and laboratory verification work for adoption of the dual-mode technology. Starting from 2024, in the next three years, all tenders for State Grid will be based on broadband dual-mode technology products.

China Southern Power Grid is also accelerating the pace of digital transformation of the power grid, strengthening the construction of intelligent transmission, distribution, and power consumption, promoting the construction of multi-energy complementary smart energy, promoting smart services through the digitalization and intelligent construction of the power grid, and making every effort to enhance users’ satisfaction. China Southern Power Grid’s smart grid telecommunications acquisition system will iterate from broadband carrier communication technology to broadband dual-mode communication technology standards and market applications starting in 2024.

According to the bidding and procurement plan for energy meters and Electric Energy Data Acquisition Systems announced by State Grid in 2024, there will be three batches of public bidding throughout the year. During the Period, the number of tenders for Electric Energy Data Acquisition Systems was about 46.5 million, representing a year-on-year increase of approximately 75.5% compared with the corresponding period in 2023. It is predicted that the demand of State Grid for broadband dual-mode communication modules in 2024 will be more than 80 million.

To sum up, in the context of the “14th Five-Year Plan” and the plans for energy system and power industry, as well as the relevant development plans of State Grid and China Southern Power Grid Corporation, against the background of the dual-carbon policy, new energy and distributed photovoltaic Power generation will be connected to the grid on a large scale in future, the demand and number of charging piles and energy storage will grow rapidly. The development goals, key tasks and measures will all have a positive impact on the development of the industry in which the company operates.

On the other hand, during the Period, the Group’s smart manufacturing & industrial automation (“**SMIA**”) business segment has been continuing in exploring the field of industrial automation systems by leveraging its core technology competency, particularly in the area of maintenance and safety integrity system (“**MSI**”) for the petroleum and petrochemicals industry.

In the face of the current global manufacturing industry’s transformation towards digitalization, networking and intelligence, there has been a continuous increase in policy support for the intelligent manufacturing industry by the PRC government. The “14th Five-Year Plan for Development of Smart Manufacturing” (“十四五”智慧製造發展規劃) puts forward a number of development targets for 2025, including achieving fundamental digitisation and network transformation of 70% of large-scale manufacturing enterprises, the establishment of more than 500 smart manufacturing demonstration factories, and the creation of more than 200 national industry standards. By 2035, the plan envisages the “comprehensive and general digitisation and network transformation of large-scale manufacturing enterprises” as well as the “fundamental smart conversion of key industry backbone enterprises.” In the future, rapid industrial development will promote the continuous expansion of the market scale of the intelligent manufacturing industry, bringing abundant opportunities to the Group.

As for the Group's wind farm operation and maintenance (“WFOM”) business segment, the domestic wind turbines were mainly provided with a two-year warranty before 2010 and a three to five year warranty thereafter. During the period from 2006 to 2010, with the rapid development of the domestic wind power industry, a large number of wind turbines were put into operation, and most of these wind turbines are now in post-warranty stage. There has been a large number of post-warranty equipment with need for repairment or upgrade of operating environment in wind farms, which has given rise to the emergence of the wind farm operation and maintenance services industry. In recent years, there has been a relatively rapid development of the wind farm operation and maintenance services market in the PRC, with a compound annual growth rate of 16.42% in demand from 2016 to 2023.

The main competitors in China's wind farm operation and maintenance services market include wind power equipment manufacturers, wind farm owners (developers) and third-party operation and maintenance services companies. The wind power equipment manufacturers hold the core technology of wind power equipment. In recent years, manufacturers such as the Goldwind Group has also paid more attention to operation and maintenance services, and are committed to providing overall solutions to strengthen its competitive advantage. Wind farm owners (developers) mainly invest in wind farms and continuously expand the scale of installed capacity, with strong advantages in aspects such as capital, resources, and scale, Longyuan Power Group is an example. The third-party wind power operation and maintenance services companies focus on maintenance and status analysis of wind turbine equipment, with advantages such as flexible service models. However, there are also areas of improvement, such as inconsistent technical levels and service quality.

The projects of the Group's WFOM business segment are performing well. It will be tuning its operation and maintenance services according to market trends, as well as maintaining close communication with the wind farm owners to ensure the proper functioning of the wind farm owners' assets to the greatest extent possible.

Business Review

During the Period, the Group operated in three major business segments. Firstly, the Group operated in automated meter reading (“**AMR**”) and other business, where the Group sold PLC products such as PLC integrated circuits (“**ICs**”), modules and devices such as connectors and concentrators, which have been mainly used in the deployment and upgrade of AMR systems for smart meters by power grid companies in China as a key part of the smart grid infrastructure. The Group pioneered in developing PLC ICs with proprietary IC designs and advanced PLC technologies for the deployment of AMR systems by State Grid. In addition, the Group also provided maintenance services on AMR systems on a project-by-project basis. Furthermore, the Group’s PLC products also apply to several smart energy business in China, mainly in the area of streetlight controls, building energy management and photovoltaic power management.

Secondly, the Group expanded its business in late 2018 and engages in SMIA business where the Group offered software licenses, production safety products, construction contracts as well as provision of software post-contract customer support services applied in the area of MSI in the petroleum and petrochemicals industry.

Thirdly, upon the completion of acquisition (“**Zhongyi Acquisition**”) of the entire issued share capital of Zhongyi (BVI) International Limited (“**Zhongyi (BVI)**”) on 27 March 2024, the Group expanded its business and engaged in WFOM business where the Group provided operation and maintenance services to owners of wind farms in the PRC.

During the Period, the Group recorded revenue of approximately RMB41.4 million (for the corresponding period in 2023: approximately RMB35.1 million), representing an increase of approximately 18.1%.

The Group’s AMR and other business segment recorded a revenue of approximately RMB18.3 million (for the corresponding period in 2023: approximately RMB7.9 million), representing a increase of approximately 130.4%. Revenue from AMR and other business segment for the Period accounted for approximately 44.1% (for the corresponding period in 2023: approximately 22.6%) of the Group’s total revenue. The increase in revenue from AMR and other business segment for the Period was mainly due to the commercialization of the Group’s broadband dual-mode AMR products which led to the increase in sales of PLC modules.

During the Period, the Group's SMIA business segment recorded a revenue of approximately RMB14.4 million (for the corresponding period in 2023: approximately RMB27.2 million), representing a decrease of approximately 46.9%. Revenue from SMIA business segment for the Period accounted for approximately 34.8% (for the corresponding period in 2023: approximately 77.4%) of the Group's total revenue. The decrease in revenue from SMIA business segment for the Period was mainly due to (i) the non-renewal of one major software license project with contract term of five years from 2018 to 2023 contributing annual revenue of approximately RMB20.7 million due to unsuccessful business negotiation and (ii) decrease in project acceptance as a result of shortage of working capital and worsening economic and competitive environment in the PRC.

During the Period, the Group's WFOM business segment recorded a revenue of approximately RMB8.8 million. Revenue from WFOM business segment for the Period accounted for approximately 21.1% (for the corresponding period in 2023: nil) of the Group's total revenue. As at 30 June 2024, the Group's WFOM business has entered into long term operation and maintenance services contracts (the "**Management Contracts**") with the owners of six wind farms, with total services fees amounting to approximately RMB1,293 million and total annual design capacity of 503.5 MW. Revenue from wind farm operation and maintenance services is recognised over time. During the Period, revenue represented the service fees generated from the Management Contracts, and was calculated by the product of the respective time-weighted capacity of each wind farm and the respective fee rate.

The Group recorded a decrease in loss attributable to the owners of the Company from approximately RMB32.9 million in the corresponding period in 2023 to approximately RMB24.7 million for the Period. The decrease in loss for the Period attributable to owners of the Company was mainly attributable to (i) increase in gross profit of the AMR business; (ii) contribution of net profit from the WFOM business; (iii) decrease in general and administrative expenses mainly attributable to decrease in amortization of intangible assets arising from the Group's acquisition of Green Harmony as a result of full impairment of the intangible assets as at 31 December 2023; and (iv) decrease in finance costs mainly attributable to the decrease in interest expense on the largest borrowing of the Group after negotiation, partially offset by the increase in selling and marketing expenses mainly attributable to increased marketing expenses for promoting the sales of broadband dual-mode AMR products.

The Group has maintained a lean-cost strategy so as to reduce the operating cost, especially the workforces in the administrative and research & development aspect. The Group will continue to review the measures adopted.

Research and Development

The Group has been committed to PLC IC design and its applications tailored to China's market environment since the inception in the industry in 2006 by establishing its core competency in designing advanced application-specific ICs, or application-specific integrated circuits ("**ASICs**"), and using these proprietary ASICs to develop the PLC

products. As a high-tech company driven by research and development, the Group's research and development efforts are focused on enhancing the functionality of its products and addressing the technical needs of its customers, as well as expanding the Group's product portfolio for different PLC applications.

The Group had been actively participating in the discussion and formulation of the technical standard for broadband PLC for State Grids for several years whereas the Group heavily invested in the research and development project in relation to the Group's PLC based broadband AMR product to be applied in the products for State Grid.

As of 30 June 2024, the research and development team of the Group consisted of 53 employees (as of 30 June 2023: 48 employees), representing approximately 34% (as of 30 June 2023: approximately 32%) of the Group's total workforce, specialising in PLC IC design and product development for AMR and other applications as well as software development and application for the MSI for the petroleum and petrochemicals industry.

As of 30 June 2024, the Group had successfully developed a significant intellectual property portfolio, comprising 20 patents, 129 computer software copyrights and 10 IC layout designs registered, signifying the Group's achievements in research and development of the PLC technology and MSI for the petroleum and petrochemicals industry.

Financial Review

Revenue

Revenue increased from approximately RMB35.1 million for the corresponding period in 2023 to approximately RMB41.1 million for the Period, or by approximately 18.1%. The increase was due to the increase in revenue of approximately 130.4% from the AMR and other business segment and the contribution of revenue of approximately RMB8.8 million from the WFOM business segment upon the completion of the Zhongyi Acquisition, partially offset by the decrease in revenue of approximately 46.9% from the SMIA business segment.

The increase in revenue from the AMR and other business segment was mainly due to the commercialization of the Group's broadband dual-mode AMR products which led to the increase in sales of PLC modules.

The decrease in revenue from the SMIA business segment was mainly due to (i) the non-renewal of one major software license project with contract term of five years from 2018 to 2023 contributing annual revenue of approximately RMB20.7 million due to unsuccessful business negotiation and (ii) decrease in project acceptance as a result of shortage of working capital and worsening economic and competitive environment in the PRC.

As at 30 June 2024, the Group's WFOM business has entered into long term Management Contracts with the owners of six wind farms, with total services fees amounting to approximately RMB1,293 million and total annual design capacity of 503.5 MW. Revenue from wind farm operation and maintenance services is recognised over time. During the Period, revenue represented the service fees generated from the Management Contracts, and was calculated by the product of the respective time-weighted capacity of each wind farm and the respective fee rate.

Gross profit

Gross profit increased by approximately 86.6% to approximately RMB15.3 million for the Period from approximately RMB8.2 million for the corresponding period in 2023.

Gross profit margin was approximately 37.0% for the Period and has increased from approximately 23.4% for the corresponding period in 2023, representing an increase of gross profit margin by approximately 13.6%.

The increase in gross profit margin was mainly attributable to (i) the increase in gross profit margin of the AMR and other business segment from approximately 26.0% for the corresponding period in 2023 to approximately 37.4% for the Period, which was mainly attributable to higher gross profit margin of the Group's new broadband dual-mode AMR products; (ii) the contribution from the WFOM business segment which had gross profit margin of approximately 72.2% for the Period.

Other income

Other income decreased by approximately 50.9% to approximately RMB1.5 million for the Period from approximately RMB3.0 million for the corresponding period in 2023. The decrease was mainly attributable to net foreign exchange loss for the Period of approximately RMB1.1 million as compared to net foreign exchange gain of approximately RMB1.0 million for the corresponding period in 2023.

(Allowance)/reversal for impairment losses on financial assets, net

Allowance for impairment losses on financial assets of approximately RMB0.6 million was recognised during the Period (for the corresponding period in 2023: reversal for impairment losses on financial assets of approximately RMB1.5 million). The allowance during the Period was mainly attributable to (i) higher expected credit loss rate for the Period and (ii) long outstanding trade receivables mainly caused by the prolonged late payment from the major customers, which was subject to higher expected credit loss provision.

Sales and marketing expenses

Sales and marketing expenses increased by approximately 122.1% to approximately RMB10.6 million for the Period from approximately RMB4.8 million for the corresponding period in 2023. The increase was mainly attributable to increased marketing expenses for promoting the sales of broadband dual-mode AMR products.

General and administrative expenses

General and administrative expenses decreased by approximately 33.1% to approximately RMB16.0 million for the Period from approximately RMB24.0 million for the corresponding period in 2023. The decrease was mainly attributable to decrease in amortization of intangible assets arising from the Group's acquisition of Green Harmony as a result of full impairment of the intangible assets as at 31 December 2023. During the Period, the Group implemented stringent cost control measures to maintain the general and administrative expenses.

Research and development expenses

Research and development expenses remained stable for the Period and for the corresponding period in 2023 for continued improvement of the existing broadband dual-mode products and also research and development of new products. Research and development expenses mainly represented staff cost, amortisation of intangible assets, contracted development expenses, and R&D material costs and inspection costs.

Finance costs

Finance costs decreased by approximately 53.7% to approximately RMB4.5 million for the Period from approximately RMB9.6 million for the corresponding period in 2023. The decrease was mainly attributable to the decrease in interest expense on the largest borrowing of the Group as after negotiation, the relevant interest rate during the Period was halved compared to the corresponding period in 2023, partially offset by the increase in interest expenses on (i) other borrowings which were mainly drawn down for financing the acquisition of Zhongyi (BVI); and (ii) bank and other borrowings which were mainly drawn down to meet the working capital requirement of the Group.

Income tax (expense)/credit

Income tax expense of approximately RMB0.5 million was recorded during the Period (for the corresponding period in 2023: income tax credit of approximately RMB2.2 million). The income tax expense for the Period was mainly attributable to the net profit of the WFOM business segment which was subject to the PRC corporate income tax rate of 25%.

Loss attributable to owners of the Company

As a result of the above factors, the Company recorded a loss attributable to owners of the Company for the Period of approximately RMB24.7 million (for the corresponding period in 2023: loss attributable to owners of the Company: approximately RMB32.9 million).

Liquidity and financial resources

During the Period, the Group's operations were mainly financed by (i) internal resources, including but not limited to existing cash and cash equivalents, cash flow from its operating activities; (ii) net proceeds generated from the listing of shares of the Company (the "**Listing**") on the Main Board of the Stock Exchange (as defined below) on 9 June 2017; (iii) net proceeds generated from the May 2023 Subscriptions (as defined below) of new shares under general mandate completed in June 2023; and (iv) borrowings. The Board believes that the Group's liquidity needs will be satisfied.

As of 30 June 2024, the Group's current assets amounted to approximately RMB154.1 million (as of 31 December 2023: approximately RMB152.5 million), with cash and cash equivalents totaling approximately RMB32.5 million (as of 31 December 2023: approximately RMB35.9 million). The cash and cash equivalents of the Group are principally held in RMB, HKD and USD.

As of 30 June 2024, the Group's total interest-bearing liabilities amounted to approximately RMB261.2 million (as of 31 December 2023: approximately RMB193.9 million), representing borrowings and lease liabilities. The Group had interest-bearing liabilities of RMB93.3 million (as of 31 December 2023: RMB81.0 million) and RMB167.9 million (as of 31 December 2023: RMB112.9 million) which will be due repayable within one year and after one year respectively with coupon rates range from 0% to approximately 10.0% per annum. The net debt-to-equity ratio (referred as to the gearing ratio: interest-bearing liabilities less cash and cash equivalents divided by total equity) was approximately -383.1% as of 30 June 2024 (as of 31 December 2023: approximately -457.7%).

Exchange rate risk

Most of the businesses of the Group are settled in RMB while businesses in foreign currencies are mainly settled in either HKD or USD. The fluctuation of exchange rate of the currencies will have certain impact on the Group's business which are settled in foreign currencies. During the Period and in the corresponding period of 2023, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Capital commitments

As of 30 June 2024, the Group had a total capital commitment of nil, contracted for but not yet incurred (as of 31 December 2023: approximately RMB50.0 million). Such capital commitments are expected to be funded by the Group's internal resources.

Contingent liabilities

As of 30 June 2024, the Group had a contingent liability of approximately RMB0.5 million (as of 31 December 2023: Nil).

Charge on assets

As of 30 June 2024, the entire issued shares of two subsidiaries of the Company, namely Risecomm Co. Ltd. and Risecomm (HK) Technology Co. Limited, have been pledged as security for borrowings of approximately RMB109.3 million (as at 31 December 2023: RMB108.7 million).

As of 30 June 2024, trade receivables of approximately RMB9.9 million (as at 31 December 2023: RMB1.7 million) and right to future trade receivables of approximately RMB24.8 million (as at 31 December 2023: RMB33.1 million) were pledged to secure bank loans amounting to approximately RMB2.3 million (as at 31 December 2023: RMB3.2 million).

As at 31 December 2023, pursuant to the relevant clause (the “**Share Pledge Clause**”) of a loan agreement entered into by the Company and the lender on 18 August 2023 which was drawn down for payment of consideration in relation to the Zhongyi Acquisition, 30% of the issued shares of Zhongyi (BVI) shall be pledged to the lender as security for borrowings of approximately RMB29.9 million upon completion of the Zhongyi Acquisition and the further execution of a formal share pledge agreement with the lender. On 17 June 2024, the Company and the lender entered into a supplemental agreement, pursuant to which, the Share Pledge Clause was entirely deleted. As such, the Company shall not be required to abide by the Share Pledge Clause anymore as at 30 June 2024.

Saved as disclosed, the Group had no other charge on assets as at 30 June 2024 and 31 December 2023.

Significant investments

During the Period, the Group did not hold any material investment.

Events after the reporting period

Details of significant event which would cause material impact on the Group from the end of the Period to the date of this announcement is set out in note 16.

Saved as disclosed, there was no other significant event which would cause material impact on the Group from the end of the Period to the date of this announcement.

Prospects

As reform of electric power system takes place, along with the construction of a new electric power system basing on new energy, it becomes necessary to increase investment in the entire chain of electric energy from electricity production to transmission and consumption. From power grid side, to ensure reliable power supply and safe operation, it is necessary to significantly improve the power system's peak shaving, frequency regulation and voltage regulation capabilities, and to configure relevant technical equipment. Against the background of the dual-carbon policy and the construction of a new electric power system basing on new energy, the development of the power Internet of Things is expected to accelerate. With the emergence of a large number of distributed wind and solar power generators, electric vehicle charging piles, energy storage equipment and other two-way loads, the local quantitative IoT operating environment is becoming increasingly complex. As network scale increases and requirement for real-time transmission increases, there also puts forward a higher requirement on equipment communication speed, delay and reliability. In order to meet the needs of new power systems, State Grid has been accelerating the formulation of new technology standards. The new generation of smart meters will continue to be promoted, the older generation will continue to be updated, and the construction of new power systems will lead to the replacement of more energy meters. The number of smart meter tenders is expected to maintain a steady growth momentum in the future, which will in turn drive the growth in demand for PLC modules.

With the further advancement of carbon peaking and carbon neutrality strategies, the development of renewable energy such as photovoltaic and wind power will accelerate. Energy transformation requires the reshaping of the power grid, and the distribution network also needs to be transformed and upgraded.

Distribution network will become a key part of power grid construction in the “14th Five-Year Plan”. State Grid issued the “Action Plan for Building a New Power System with New Energy as the Main Body (2021–2030)” (構建以新能源為主體的新型電力系統行動方案(2021–2030年)) and proposed investment in distribution network construction will exceed 1.2 trillion yuan, accounting for more than 60% of the total investment in power grid construction. China Southern Power Grid issued the “14th Five-Year Plan” power grid development plan, proposing a planned investment of approximately 670 billion yuan in power grid construction to accelerate the construction of digital power grids and the modernization of the power grid. Among them, the planned investment in distribution network construction reached 320 billion yuan, accounting for 48% of the total. Historically, the investments of State Grid and China Southern Power Grid have mainly been concentrated in power transmission and transformation. The proportion of investment on the distribution network is expected to increase significantly in the future.

In 2024, State Grid and China Southern Power Grid will still be committed to the application of broadband dual-mode technology in power information collection systems and terminal products such as low-voltage distribution networks and measurement switches. The Group is promoting its broadband dual-mode products (including chips and modules) to more network provincial markets to further expand the competitiveness of the Group’s broadband dual-mode products in the domestic market.

The Group will focus on the broadband dual-mode communication market, keeping its technologies updated, and actively participating in the development and marketing of broadband dual-mode products by State Grid, China Southern Power Grid and other provincial network companies. At the same time, founding on the research and development of its broadband or broadband dual-mode communication technology, the Group is actively promoting itself in more application markets including power grid low-voltage distribution network, measurement switch, and power Internet of Things market.

The application of the Group’s broadband and broadband dual-mode communication chips and communication modules will be set around smart power distribution, smart power consumption, smart microgrids and comprehensive power application requirement, and will also cover collection and application of power consumption information, photovoltaic or energy storage, industrial enterprises and parks and other energy management fields. The Group adopts broadband or broadband dual-mode integrated communication solutions, combined with edge computing technology, to develop a series of intelligent products adapted to the energy internet, and provides a variety of intelligent energy internet solutions for integrated energy and smart grids.

In addition, the Group is expanding its market in smart city lighting, smart air conditioning and integrated energy management systems and terminal products. With the national government's promotion of smart grid and smart city construction, support for energy conservation and emission reduction, promotion of new energy, and the expanding overseas smart meter market under the development of the "Belt and Road Initiative", the market for PLC technology is expected to maintain a good development trend in the next few years, which is expected to promote the sales of various products of the Group, especially in the field of maintenance and safety integrity systems in the petroleum and petrochemical industries which continue to expand its market scope, bringing more opportunities to the Group.

For the Group's SMIA business, the Group believes that the growth of China industrial automation market would continue to be healthy given its current relatively low penetration rate and the rising cost of labour. As petrochemical enterprises are the pioneers of the manufacturing sector in China, major market participants have started to build smart oil fields, smart pipelines and smart factories.

The Group will continue to capture opportunities in the design and implementation of industrial automation systems, particularly in the area of MSI for the petroleum and petrochemicals industry, other manufacturing and construction businesses by leveraging the Group's own technologies and intellectual property rights.

The Group aims to enhance the expertise in smart factory integrated solutions for petroleum refining and pipeline construction. At the same time, the Group will utilise its own research and development resources to cooperate with external companies to further develop its own intellectual property rights on the smart factory application interface and visual integrated management platform as well as the integration of the online and core applications on the big data collaboration platform. Such intellectual property will strengthen the Group's core competitiveness while leveraging the Group's PLC technology. By exploring these new profit-driven business opportunities, the Group believes that it will persist a more diversified growth in the market in the long run.

For the Group's WFOM business, the domestic wind power industry has been developing on a large scale for nearly a decade. With the passage of time, wind turbines wear out, and the maintenance of wind turbines has become the key to ensuring the proper functioning of wind farms. The industry believes that with the gradual reduction of high-quality wind power resource areas and new installed capacity in PRC, wind farm operation and maintenance services will provide huge potential for wind power equipment manufacturers to expand their business in the fiercely competitive new installed capacity market. The key points are as follows:

1. Wind turbines are out of warranty, and demand for operation and maintenance services market is released

Over the past fifteen years, PRC has gradually formed the world's largest wind power market. The rapid growth of wind power installed capacity has led to a significant increase in equipment maintenance. Domestic wind turbines had a two-year warranty before 2010 and a three to five year warranty thereafter. During the period from 2006 to 2010, with the rapid development of the domestic wind power industry, a large number of wind turbines were put into operation. Most of the wind turbines of this period are now in post-warranty stage . With the end of the warranty period, a huge wind farm operation and maintenance services market is gradually emerging. According to a research report by Bloomberg New Energy Finance on PRC's wind farm operation and maintenance services market, the total expenditure of wind farm operation and maintenance services in PRC reached US\$16 billion during the period between 2015 and 2022.

2. The market potential has been greatly increased due to replacement of old turbines

As high-quality wind resources are becoming increasingly scarce, in order to efficiently utilize those territories with high-quality wind resources, it will become inevitable to replace old wind turbines with new ones. In addition, as the service life of those wind turbines approaches their 20-year limit, there will be a large number of retired wind turbines in PRC. This means that there are new growth points in the highly competitive market for new installed capacity.

The warranty period of the Group's operation and maintenance contracts will expire in 2026-2029. The management team is also vigorously expanding new wind farm operation and maintenance services projects, including but not limited to business such maintenance services, trade in business, and other businesses.

OTHER INFORMATION

Interim Dividend

The Board did not recommend the payment of an interim dividend for the Period (corresponding period in 2023: Nil).

Compliance with the Corporate Governance Code of the Listing Rules

The Company is committed to maintaining a solid, transparent and sensible framework of corporate governance for the Company and its subsidiaries and will continue to review its effectiveness.

The Company has adopted the Code Provisions (the “**Code Provisions**”) as stated in the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Listing Rules as the corporate governance code of the Company. The Board is committed to complying with the Code Provisions as stated in the CG Code to the extent that the Directors consider it is applicable and practical to the Company.

During the Period, the Company has complied with the Code Provisions in the CG Code.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors’ transactions in securities of the Company (the “**Company’s Code**”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix C3 to the Listing Rules. After specific enquiry made by the Company, all of the Directors confirmed that they have complied with the required standard set out in the Model Code and the Company’s Code during the Period.

Material Acquisition and Disposal of Subsidiaries and Associated Companies

The Company, as the purchaser, a vendor (the “**Vendor**”), being an independent third party, and Zhongyi (BVI), as the target company, entered into a sale and purchase agreement on 25 August 2023 (the “**SPA**”) and a supplemental agreement on 12 December 2023, pursuant to which (i) the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the entire equity interest of Zhongyi (BVI), for a total consideration of RMB110,000,000, subject to additional payment under the adjustment mechanism as stipulated in the SPA . Details of the Zhongyi Acquisition have been disclosed by the Company in its announcement dated 25 August 2023, supplemental announcement and circular dated 12 December 2023.

As the highest applicable percentage ratio in respect of the Zhongyi Acquisition exceeds 25% but all of them are less than 100%, the Zhongyi Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules. An extraordinary general meeting of the Company has been convened on 29 December 2023, and was passed by ordinary resolution.

The Board is pleased to announce that all the conditions precedent to completion under the SPA had been fulfilled, and completion of the Zhongyi Acquisition took place on 27 March 2024. Upon completion, Zhongyi (BVI) has become an indirect wholly-owned subsidiary of the Company and its financial results are consolidated into the Group's financial statements.

Saved as disclosed above, during the Period, there was no other material acquisition or disposal of subsidiaries or associated companies.

Purchase, Sale or Redemption of Listed Securities of the Company

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Use of Proceeds

(i) From Initial Global Offering

References are made to the announcements of the Company dated 8 June 2017, 21 June 2017, 3 July 2019 and 29 March 2022. The aggregated net proceeds from the global offering of the shares of the Company in connection with the Listing and exercise of the over-allotment option by China Galaxy International Securities (Hong Kong) Co., Limited (on behalf of the International Underwriters (as defined in the Prospectus of the Company (the "**IPO Prospectus**"))) was approximately HK\$158.2 million. Proposed application of net proceeds as stated in the IPO Prospectus had been adjusted according to the principles as specified in the section headed "Future Plans and Use of Proceeds" of the IPO Prospectus.

On 3 July 2019, the Board resolved to change the use of the unutilised net proceeds (the "**2019 Re-allocation**"). For details of the 2019 Re-allocation, please refer to the announcement of the Company dated 3 July 2019.

On 29 March 2022, the Board resolved to further change the use of the unutilised net proceeds (the "**2022 Re-allocation**"). For details of the 2022 Re-allocation, please refer to the announcement of the Company dated 29 March 2022.

The following table presented the utilisation of the net proceeds during the Period after the 2019 Re-allocation made as of 3 July 2019 and the 2022 Re-allocation made as of 29 March 2022:

	Original planned use of net proceeds as stated in the IPO Prospectus <i>approximate HKD' million</i>	2019 Re-allocation on 3 July 2019 <i>approximate HKD' million</i>	2022 Re-allocation on 29 March 2022 <i>approximate HKD' million</i>	Amount utilised as at 30 June 2024 <i>approximate HKD' million</i>	Unutilised net proceeds as at 30 June 2024 <i>approximate HKD' million</i>	Unutilised net proceeds as at 31 December 2023 <i>approximate HKD' million</i>
Research and development of the PLC technology	95.7	(37.8)	–	57.6	0.3	0.3
Sales and marketing	32.0	(6.9)	–	22.2	2.9	8.0
Repayment of an entrusted bank loan	14.7	–	–	14.7	–	–
Working capital and general corporate purposes	15.8	–	14.0	29.8	–	–
Repayment of interest expenses	–	44.7	(14.0)	30.7	–	–
	<u>158.2</u>	<u>–</u>	<u>–</u>	<u>155.0</u>	<u>3.2</u>	<u>8.3</u>

As of the date of this announcement, the Company does not anticipate any change to the above plan of use of proceeds. The remaining unutilised net proceeds as at 30 June 2024 are expected to be fully utilised on or before 31 December 2024.

(ii) *Use of proceeds from the June 2023 Subscriptions*

References are made to the announcement (“**June 2023 GM Subscription Announcement**”) of the Company dated 28 June 2023 in relation to the subscriptions (“**June 2023 Subscriptions**”) of new ordinary shares of HK\$0.001 each in the share capital of the Company under the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the shareholders of the Company passed at the annual general meeting of the Company held on 27 June 2023, and the announcement of the Company dated 19 July 2023 in relation to the completion of the June 2023 Subscriptions. The aggregated net proceeds derived from the June 2023 Subscriptions were approximately HKD23.8 million.

As of the date of this announcement, the net proceeds have been fully utilized. The following table presented the utilisation of the net proceeds from the June 2023 Subscriptions:

	Original planned use of net proceeds (Note) <i>approximate HKD' million</i>	Updated planned use of net proceeds <i>approximate HKD' million</i>	Amount utilised as at 30 June 2024 <i>approximate HKD' million</i>	Unutilised net proceeds as at 30 June 2024 <i>approximate HKD' million</i>	Unutilised net proceeds as at 31 December 2023 <i>approximate HKD' million</i>
Repayment of outstanding indebtedness	3.8	3.8	3.8	–	–
General working capital purposes:	10.0	20.0	20.0	–	7.0
i) staff costs	4.0	8.0	8.0	–	4.0
ii) contracted development expenses, R&D material costs and inspection costs	3.0	6.0	6.0	–	3.0
iii) professional fees	3.0	6.0	6.0	–	–
Business development funds	10.0	–	–	–	–
	<u>23.8</u>	<u>23.8</u>	<u>23.8</u>	<u>–</u>	<u>7.0</u>

Note:

According to the announcement of the Company dated 19 July 2023, approximately HKD10.0 million of the net proceeds was intended to be reserved as business development funds for the Group. Any updates regarding the utilisations of the business development funds should be duly disclosed in the Company’s financial reports.

As at 31 December 2023, the intended utilisations of the business development funds have been updated as above.

With the Board's endeavor for a brighter prospect of the Group, the Board has been reviewing the business status of the Group as well as opportunities for enhancement. To boost the business development of the Group, (i) approximately HKD8.0 million is allocated to staff cost, which is intended for recruitment and proper motivation of talents who are determined and capable of bringing changes to the Group; (ii) approximately HKD6.0 million is allocated to contracted development expenses, R&D material costs and inspection costs as involved in the research and development activities of the Group's products, which is intended for continued upgrade of performance of the Group's products in a bid to boost sales and market competitiveness and (iii) approximately HKD6.0 million is allocated to professional fees, which is intended for facilitating the completion of the Zhongyi Acquisition in a bid to instill new business hope and revenue and cash flow stream in the Group.

Employee Information and Remuneration Policies

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

As of 30 June 2024, the Group had an aggregate of 155 employees (as of 31 December 2023: 155 employees). During the Period, staff costs, including Directors' remuneration, was approximately RMB17.6 million (for the corresponding period in 2023: approximately RMB17.1 million). The Group recruited and promoted individual persons according to their strengths and development potential. The Group determined the remuneration packages of all employees including the directors with reference to individual performance and prevailing market salary scale.

The Group is dedicated to the training and development of its employees. The Group leverages its research and development capabilities and other resources to ensure that each employee maintains a current skill-set through continuous training. The Group provides introductory training and orientation for all new employees, as well as on-the-job training to continually improve its employees' technical, professional and management skills. The Company has also adopted share option schemes for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contributes to the success of the Group's operations.

Audit Committee and Review of Interim Financial Results

The audit committee of the Company (the "**Audit Committee**") is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim financial results of the Group for the Period, including the accounting treatment, principles and practices adopted by the Group, and discussed internal control and other financial related matters with no disagreement.

Publication of Interim Results Announcement and Interim Report

This announcement is published on the website of the Stock Exchange at **www.hkex.com.hk** and on the website of the Company at **www.risecomm.com.cn**. The interim report for the Period containing all the information required by Appendix D2 to the Listing Rules will be despatched to the shareholders of the Company, if necessary and will be published on the aforesaid websites of the Stock Exchange and the Company in due course in accordance with the Listing Rules.

By the order of the Board
Risecomm Group Holdings Limited
Zhao Luyi
Chairman and executive Director

Hong Kong, 30 August 2024

As at the date of this announcement, the executive Directors are Ms. Zhao Luyi, Mr. Tsang Wah Tak, Brian and Mr. Jiang Feng, the non-executive Directors are Ms. Guo Lei, Mr. Yu Lu and Mr. Ding Zhigang, and the independent non-executive Directors are Mr. Victor Yang, Ms. Lo Wan Man and Mr. Zou Heqiang.